

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas & Electric  
Company (U 39-E) for Approval of Demand  
Response Programs, Pilots and Budgets for  
Program Years 2018-2022.

And Related Matters.

Application 17-01-012  
(Filed January 17, 2017)

Application 17-01-018  
Application 17-01-019

**JOINT COMMENTS OF CPOWER, ENEL X NORTH AMERICA, INC., AND  
ENERGYHUB ("JOINT DR PARTIES") ON  
PROPOSED IMPROVEMENTS TO DEMAND RESPONSE AUCTION MECHANISM**

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CPower, Enel X North America, Inc. (formerly known as EnerNOC, Inc.),<sup>1</sup> and EnergyHub (“Joint DR Parties”) respectfully submit these Joint Comments on Proposed Improvements to the Demand Response Auction Mechanism (“DRAM”). These Joint Comments are filed pursuant to the Commission’s Rules of Practice and Procedure and the Administrative Law Judge’s (“ALJ’s”) Ruling of January 4, 2019 (“January 4 Ruling”).

**I.  
OVERVIEW**

In a “procedural email” sent by ALJ Hymes to the service list in this proceeding on January 7, 2019, the ALJ provided additional information regarding instructions given in the January 4 Ruling. Specifically, she indicated that the purpose of the “proposed improvements” to DRAM due today is to provide “a general description of the recommendation[s] at this time, i.e., a one-pager.” To that end, the Joint DR Parties provide a summary of their proposed improvements to DRAM and request 10 minutes to present their recommendations at the Workshop scheduled for January 16, 2019.<sup>2</sup>

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<sup>1</sup> On October 24, 2018, Enel X served a Notice of Name Change in this proceeding.

## **II. JOINT DR PARTIES' PROPOSED IMPROVEMENTS TO DRAM**

- DRAM can be improved by a commitment to continuous DRAM auctions, with modifications, but without a gap, that is based on meeting a timeline that recognizes that up to 8 months is required to conduct the auction process and that, in turn, the next DRAM Auction should be authorized no later than March 2019 to allow for an auction to be conducted “in time for the resources to be included in the Utilities’ year-ahead RA [Resource Adequacy] demonstration.”<sup>3</sup>
- Improvement to DRAM requires a further commitment to at least an additional 5 to 6 year authorization of DRAM that also includes a streamlined contract approval process, stable Resource Adequacy (RA) rules in place during any forward procurement timeframe, and annual solicitations for multi-year forward procurements.
- DRAM can be improved by striking a balance between achieving the Commissions goals and avoiding unnecessary or redundant measures.
- Any contract developed for the next iteration of DRAM should start with the existing DRAM pro forma contract and only change components necessary to reflect adopted changes.
- To improve DRAM, integration issues for third parties must be addressed with the recognition that those issues cannot be resolved solely through the existing state of the “click-through” process
- A remedy to discourage screen scraping should be included.
- Any consultant retained by the Utilities to support ongoing evaluation needs must be subject to further scoping detail and vetting.
- As to market share limits, subjective bid evaluation criteria may eliminate this problem, but consideration must be given to potential negative impacts of artificial limits and that market share concentration for good performers is not a bad thing.
- Participation in DRAM may be improved by understanding that technical and integration issues have kept potentially viable Demand Response Providers from the DRAM market.

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<sup>3</sup> CPower-Enel X Comments on Proposed Decision (11/14/18), at p. 10.

- DRAM can be improved by consistent disclosure of awardees across the Utilities, holding the Utilities accountable for delayed data delivery, and elimination of the simple August average as a bid cap, with the potential of using demonstrated capacity.
- DRAM can be improved by recognizing concerns with potential recommendations for bid parameters to include dispatch frequency where high demand in the CAISO may not correlate with high prices. Consideration could be given to market need criteria that indicate a need for DR as a parameter
- DRAM can be improved by recognizing that impropriety of comparing DR with other resource types, such as energy storage, which fail to recognize that DR is a customer-based resource requiring curtailment of critical activities and that the market and participation drivers of DR, compared to other resource types, are completely different.
- DRAM can be improved by not having upfront bid fees.
- DRAM can be improved by avoiding the move from one complex evaluation mechanism to another complex cost analyses, like Net Market Value (NMV) and Long Run Avoided Cost (LRAC), that require more deliberation, may guide bids toward summer-only months, and may influence bids for flexible services.
- Penalties for failure to perform or the creation of milestones for performance should recognize that development of a DR resource is not as linear as a construction process and recognize the solutions provided in 2019 for year ahead RA showings.
- Ex-Ante, performance penalties should discipline. Capability testing can serve as a proxy.
- There should be no capping of utilization of meeting the Must Offer Obligation (MOO) if there is no dispatch.
- The design of penalties for not meeting contract or performance metrics is a critical element and requires the input of DR stakeholders.
- DRAM can be improved by providing, within reasonable bounds, for over-performance incentives for excess delivery of DRAM capacity.
- DRAM can be improved by maintaining the current transfer of confidential data through the existing CAISO subpoena process that ensures its confidentiality and existing

protections in data sharing between CAISO and the Commission Staff through the RA process.

- DRAM can be improved by requiring that the reassignment of contracts occurs by returning to the bid stack
- DRAM can be improved by removing any deadline for DRAM Sellers to submit invoices when there is no deadline for Utilities to provide the revenue quality meter data needed to support any demonstrated capacity shown by a test or event in invoices.

### **III. CONCLUSION**

The Joint DR Parties appreciate the opportunity to submit the above improvements to DRAM. The Joint DR Parties again request 10 minutes to present and discuss these proposals at the January 16, 2019 Workshop.

Respectfully submitted,

January 11, 2019

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